

QUARTERLY STATEMENT
OF THE
Preferred Health Partnership of Tennessee, Inc.

of
Knoxville
in the state of
Tennessee

TO THE
Insurance Department
OF THE STATE OF
Tennessee

FOR THE QUARTER ENDED
September 30, 2003

2003



HEALTH QUARTERLY STATEMENT

AS OF September 30, 2003

OF THE CONDITION AND AFFAIRS OF THE

Preferred Health Partnership of Tennessee, Inc.

NAIC Group Code 1253 , 1253 NAIC Company Code 95749 Employer's ID Number 62-1546662
(Current Period) (Prior Period)

Organized under the Laws of Tennessee , State of Domicile or Port of Entry Tennessee

Country of Domicile United States of America

Licensed as business type: Life, Accident & Health[] Property/Casualty[] Hospital, Medical & Dental Service or Indemnity[]
 Dental Service Corporation[] Vision Service Corporation[] Health Maintenance Organization[X]
 Other[] Is HMO Federally Qualified? Yes[X] No[]

Date Incorporated or Organized 01/01/1994 Date Commenced Business 01/01/1994

Statutory Home Office 1420 Centerpoint Blvd. , Knoxville, TN 37932
(Street and Number) (City, or Town, State and Zip Code)

Main Administrative Office 1420 Centerpoint Blvd.
(Street and Number)

Knoxville, TN 37932 (865)670-7282
(City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 1420 Centerpoint Blvd. , Knoxville, TN 37932
(Street and Number or P.O. Box) (City, or Town, State and Zip Code)

Primary Location of Books and Records 1420 Centerpoint Blvd.
(Street and Number)

Knoxville, TN 37932 (865)670-7282
(City, or Town, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address ~

Statutory Statement Contact Melissa R Anderson (865)670-7282
(Name) (Area Code)(Telephone Number)(Extension)

manders1@covhlth.com (865)470-7461
(E-Mail Address) (Fax Number)

Policyowner Relations Contact 1420 Centerpoint Blvd.
(Street and Number)

Knoxville, TN 37932 (865)470-7470
(City, or Town, State and Zip Code) (Area Code) (Telephone Number)(Extension)

OFFICERS

President Lance K. Hunsinger
 Chief Financial Officer Lance K. Hunsinger
 Secretary Jeffery S. Collake

VICE PRESIDENTS

DIRECTORS OR TRUSTEES

Stuart B. Baker MD Kenneth Truman Creed Michael McKay Dudley Randolph Murphree Lowry MD Cletus Joseph McMahon Jr. MD David A. Nowiski Anthony L. Spezia	Thomas Rowe Bell Daniel J. David MD Marvin H. Eichorn Kenneth Frederick Luckman MD Michael Earl Mitchell MD Francis H. Olmstead Jr.
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State of Tennessee
 County of Knox ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manuals except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature)
Lance K. Hunsinger
(Printed Name)
 President

(Signature)
Lance K. Hunsinger
(Printed Name)
 Chief Financial Officer

(Signature)
Jeffery S. Collake
(Printed Name)
 Secretary

Subscribed and sworn to before me this _____ day of _____, 2003

- a. Is this an original filing? _____
 b. If no, 1. State the amendment number _____
 2. Date filed _____
 3. Number of pages attached _____

Yes[X] No[]

(Notary Public Signature)

ASSETS

	Current Statement Date			4 December 31, Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	64,625,815		64,625,815	70,496,838
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate:				
4.1 Properties occupied by the company (less \$..... encumbrances)				
4.2 Properties held for the production of income (less \$..... encumbrances)				
4.3 Properties held for sale (less \$..... encumbrances)				
5. Cash (\$.....2,638,096 and short-term investments \$.....)	2,638,096		2,638,096	3,776,349
6. Contract loans (including \$..... premium notes)				
7. Other invested assets				
8. Receivable for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	67,263,911		67,263,911	74,273,187
11. Investment income due and accrued	713,615		713,615	1,157,946
12. Premiums and considerations:				
12.1 Uncollected premiums and agents' balances in course of collection				2,518,183
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$..... earned but unbilled premiums)				
12.3 Accrued retrospective premiums				
13. Reinsurance:				
13.1 Amounts recoverable from reinsurers				
13.2 Funds held by or deposited with reinsured companies				
13.3 Other amounts receivable under reinsurance contracts				
14. Amounts receivable relating to uninsured plans				
15.1 Current federal and foreign income tax recoverable and interest thereon				
15.2 Net deferred tax asset				
16. Guaranty funds receivable or on deposit				
17. Electronic data processing equipment and software				
18. Furniture and equipment, including health care delivery assets (\$.....)				
19. Net adjustments in assets and liabilities due to foreign exchange rates				
20. Receivables from parent, subsidiaries and affiliates	78,816	78,816		
21. Health care (\$.....) and other amounts receivable				
22. Other assets nonadmitted				
23. Aggregate write-ins for other than invested assets	1,946,703		1,946,703	2,370,412
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	70,003,045	78,816	69,924,229	80,319,728
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. TOTALS (Lines 24 and 25)	70,003,045	78,816	69,924,229	80,319,728
DETAILS OF WRITE-INS				
0901				
0902				
0903				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301. A/R Risk Share	1,946,703		1,946,703	2,370,412
2302. 0				
2303				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	1,946,703		1,946,703	2,370,412

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$..... reinsurance ceded)	1,641,741		1,641,741	3,116,777
2. Accrued medical incentive pool and bonus payments				
3. Unpaid claims adjustment expenses				
4. Aggregate health policy reserves	10,826,641		10,826,641	10,826,641
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserve				
7. Aggregate health claim reserves				
8. Premiums received in advance				
9. General expenses due or accrued	14,491,154		14,491,154	13,746,680
10.1 Current federal and foreign income tax payable and interest thereon (including \$..... on realized gains (losses))				
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable				
12. Amounts withheld or retained for the account of others				
13. Remittances and items not allocated				
14. Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current)				
15. Amounts due to parent, subsidiaries and affiliates	18,749,715		18,749,715	20,617,000
16. Payable for securities				
17. Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers)				
18. Reinsurance in unauthorized companies				
19. Net adjustments in assets and liabilities due to foreign exchange rates				
20. Liability for amounts held under uninsured accident and health plans				
21. Aggregate write-ins for other liabilities (including \$..... current)	14,082,990		14,082,990	14,082,990
22. Total liabilities (Lines 1 to 21)	59,792,241		59,792,241	62,390,088
23. Common capital stock	X X X	X X X	1,000	1,000
24. Preferred capital stock	X X X	X X X		
25. Gross paid in and contributed surplus	X X X	X X X	52,246,512	61,379,848
26. Surplus notes	X X X	X X X		
27. Aggregate write-ins for other than special surplus funds	X X X	X X X		
28. Unassigned funds (surplus)	X X X	X X X	(42,115,524)	(43,451,208)
29. Less treasury stock, at cost:				
29.1 shares common (value included in Line 23 \$.....)	X X X	X X X		
29.2 shares preferred (value included in Line 24 \$.....)	X X X	X X X		
30. Total capital and surplus (Lines 23 to 28 minus Line 29)	X X X	X X X	10,131,988	17,929,640
31. Total liabilities, capital and surplus (Lines 22 and 30)	X X X	X X X	69,924,229	80,319,728
DETAILS OF WRITE-INS				
2101. Accrued Run-Out Costs	14,082,990		14,082,990	14,082,990
2102. 0				
2103. 0				
2198. Summary of remaining write-ins for Line 21 from overflow page				
2199. TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)	14,082,990		14,082,990	14,082,990
2701	X X X	X X X		
2702	X X X	X X X		
2703	X X X	X X X		
2798. Summary of remaining write-ins for Line 27 from overflow page	X X X	X X X		
2799. TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year To Date
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	1,182,019	1,021,726
2. Net premium income (including \$..... non-health premium income)	X X X	195,632	109,595,425
3. Change in unearned premium reserves and reserves for rate credits	X X X		
4. Fee-for-service (net of \$..... medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X	135	
7. Aggregate write-ins for other non-health revenues	X X X		
8. Total revenues (Lines 2 to 7)	X X X	195,767	109,595,425
Hospital and Medical:			
9. Hospital/medical benefits		2,786	92,718,318
10. Other professional services		2,071	11,520,511
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs		(1,261,275)	4,040,024
14. Aggregate write-ins for other hospital and medical		(136,424)	(9,932,774)
15. Incentive pool and withhold adjustments			
16. Subtotal (Lines 9 to 15)		(1,392,842)	98,346,079
Less:			
17. Net reinsurance recoveries			
18. Total hospital and medical (Lines 16 minus 17)		(1,392,842)	98,346,079
19. Non-health claims			
20. Claims adjustment expenses		894,159	3,939,980
21. General administrative expenses		2,203,604	12,288,217
22. Increase in reserves for life and accident and health contracts (including \$..... increase in reserves for life only)			
23. Total underwriting deductions (Lines 18 through 22)		1,704,921	114,574,276
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	(1,509,154)	(4,978,851)
25. Net investment income earned		2,339,544	2,920,224
26. Net realized capital gains or (losses)		505,294	910,387
27. Net investment gains or (losses) (Lines 25 plus 26)		2,844,838	3,830,611
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)]			
29. Aggregate write-ins for other income or expenses			
30. Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	1,335,684	(1,148,240)
31. Federal and foreign income taxes incurred	X X X		
32. Net income (loss) (Lines 30 minus 31)	X X X	1,335,684	(1,148,240)
DETAILS OF WRITE-INS			
0601. Miscellaneous Income	X X X	135	
0602	X X X		
0603	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X	135	
0701	X X X		
0702	X X X		
0703	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799. TOTALS (Lines 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401. Recoveries		(560,134)	(605,657)
1402. Risk Share		423,710	(9,327,117)
1403			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		(136,424)	(9,932,774)
2901			
2902			
2903			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above)			

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year To Date	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year	17,929,639	18,282,548
GAINS AND LOSSES TO CAPITAL & SURPLUS		
34. Net income or (loss) from Line 32	1,335,684	(352,910)
35. Change in valuation basis of aggregate policy and claim reserves		
36. Net unrealized capital gains and losses		
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax		
39. Change in nonadmitted assets		
40. Change in unauthorized reinsurance		
41. Change in treasury stock		
42. Change in surplus notes		
43. Cumulative effect of changes in accounting principles		
44. Capital Changes:		
44.1 Paid in		
44.2 Transferred from surplus (Stock Dividend)		
44.3 Transferred to surplus		
45. Surplus adjustments:		
45.1 Paid in	(9,133,336)	
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus		
48. Net change in capital and surplus (Lines 34 to 47)	(7,797,652)	(352,910)
49. Capital and surplus end of reporting period (Line 31 plus 48)	10,131,987	17,929,638
DETAILS OF WRITE-INS		
4701		
4702		
4703		
4798. Summary of remaining write-ins for Line 47 from overflow page		
4799. TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)		

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	0	186	1,411,276
REVENUES:			
1. TennCare Capitation	0	195,632	109,964,306
2. Investment	844,228	2,844,838	4,659,647
3. Other Revenue	0	135	13,508
4. TOTAL REVENUES (Lines 1 to 3)	844,228	3,040,605	114,637,461
EXPENSES:			
Medical and Hospital Services:			
5. Capitated Physician Services	0	0	1,606,239
6. Fee-For-Service Physician Services	0	0	9,525,814
7. Inpatient Hospital Services	577	2,071	53,508,572
8. Outpatient Services	0	0	3,310,194
9. Emergency Room Services	0	0	4,721,849
10. Mental Health Services	0	0	31,939
11. Dental Services (Capitated & FFS)	377	2,786	2,824,862
12. Vision Services (Capitated , FFS & Opthamology)	0	0	397,033
13. Pharmacy Services (Capitated & FFS)	(34,399)	(1,261,276)	19,195,524
14. Home Health Services	0	0	214,000
15. Chiropractic Services	0	0	0
16. Radiology Services	0	0	84,151
17. Laboratory Services	0	0	8,427,366
18. Durable Medical Equipment Services	0	0	3,268,563
19. Transportation Services (Capitated)	0	0	1,812,929
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)			
Surgery - Orthopedic - FFS Office	0	0	54
MCO Delegated Services	0	0	28,013
Allergy & Immunology FFS Office & Other	0	0	4,174,703
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	0	0	562,890
Anesthesiology - FFS Hosp & Other	0	0	1,642,476
Gastroenterology	0	0	15,795
Preventive Medicine	0	0	1,614,304
Ped Emergency Medicine - FFS Hospital	0	0	0
IBNR	0	0	(28,200,790)
Risk Share	90,561	423,710	(3,389,592)
24. Subtotal (Lines 5 to 23)	57,115	(832,709)	85,376,888
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:			
26. Copayments	0	0	0
27. Subrogation	0	0	0
27a Recoveries	195,458	560,134	754,116
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	195,458	560,134	754,116
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	(138,343)	(1,392,842)	84,622,772

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		
	Current Period	Year to Date Total	Year to Date Total
Administration:			
31. Compensation (Including Allocated Costs)	2,598,326	7,522,306	8,784,009
32. Marketing (Including Allocated Costs)	206	4,849	8,861
33. Premium Tax Expense	167,372	338,313	2,293,078
34. Occupancy, Depreciation and Amortization (Including Allocated Costs)	228,419	713,950	994,528
35. Other Administration (Provide detail)			
Printing	85,774	209,521	267,302
Rent/Utilities	0	0	0
Franchise, Excise & Property Taxes	0	0	0
Postage	37,167	126,605	160,112
Legal Fees	1,690	5,853	7,650
Liquidated Damages	303,180	903,280	804,000
Outside Services	121,327	246,577	4,752
Board & Committee Fees	0	0	0
Auditing, actuarial and other consulting services	0	0	0
Books & Subscriptions	48	1,326	3,393
Dues, Fees & Licenses	268	52,958	179,188
Education & Seminars	1,200	2,134	1,322
Meals & Entertainment	684	1,283	1,360
Office Supplies	359	1,163	3,851
Minor Equipment	0	22	1,733
Travel	2,350	5,729	3,099
Wellness Program	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	219	902	874
Telephone/Beepers/Cellular Phones	33	78	125
Temp/Contract Personnel	25,717	41,746	40,160
Provision for Loss Contracts	0	0	5,547,257
Risk Banding Reserve	0	0	1,789,491
Program Run Out Expense	0	0	0
State Admin Revenue	(5,091,923)	(13,185,186)	(7,688,143)
Miscellaneous Expense	(38,094)	125,166	10,525,948
Total DIRECT Expenses	(1,555,678)	(2,881,423)	23,733,950
Other ALLOCATED Expenses (Provide detail)			
Rent/Utilities	143,089	426,640	497,694
Printing	27,012	113,314	105,252
Postage	117,336	311,467	334,794
Legal Fees	109,271	326,615	241,322
Outside Services	236,603	1,017,388	1,263,964
Board & Committee Fees	75,330	142,798	139,036
Survey Fees	40,607	115,139	80,948
Telephone/Beepers/Cellular Phones	50,909	189,793	205,744
Books & Subscriptions	5,900	63,776	33,097
Minor Equipment	5,191	40,049	44,598
Computer Supplies	(68)	289	2,666
Dues, Fees & Licenses	97,107	275,858	215,385
Education & Seminars	8,428	51,361	54,289
Meals & Entertainment	6,119	20,091	32,430
Office Supplies	28,369	94,467	127,809
Travel	20,676	61,919	102,059
Miscellaneous Expense	44,236	96,504	36,039
Franchise, Excise & Property Taxes & Sales/Use Tax	53,184	161,317	130,721
Insurance	98,068	285,027	178,586
Leases & Rentals of equipment	42,105	108,711	145,941
Repairs/Maintenance Agreements	88,347	325,110	545,332
Relocation Expense Total	507	3,678	14,090
Training and Orientation Total	0	0	1,018
Temp/Contract Personnel	223,538	646,747	754,332
Covenant Management Fees	367,039	1,101,117	1,346,504
Total ALLOCATED Expenses	1,888,903	5,979,176	6,633,650
36. TOTAL ADMINISTRATION (Lines 31 to 36)	333,225	3,097,753	30,367,600
FIT & Excise Tax	0	0	0
37. Total Other Expenses:	0	0	0
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	194,883	1,704,910	114,990,372
39. NET INCOME (LOSS) (Line 4 less Line 38)	649,345	1,335,695	(352,911)

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	393,365	1,181,833	727,368
REVENUES:			
1. TennCare Capitation	55,535,159	182,810,806	90,972,689
2. Investment	1,839	1,839	6,278
3. Other Revenue			
IBNR / Capitation Revenue Receivable	(7,059,107)	27,371,333	38,980,147
Premium Tax	1,123,139	(361,761)	1,367,090
4. TOTAL REVENUES (Lines 1 to 3)	49,601,030	209,822,216	131,326,204
EXPENSES:			
Medical and Hospital Services:			
5. Capitated Physician Services	420,620	1,324,346	1,834,371
6. Fee-For-Service Physician Services	4,318,740	16,113,184	9,557,112
7. Inpatient Hospital Services	29,138,192	96,951,795	47,063,881
8. Outpatient Services	848,695	3,338,958	1,902,646
9. Emergency Room Services	2,272,270	8,727,239	5,510,846
10. Mental Health Services	3,975	13,079	15,387
11. Dental Services (Capitated & FFS)	437	11,817	1,199,674
12. Vision Services (Capitated , FFS & Opthamology)	200,503	588,827	286,020
13. Pharmacy Services (Capitated & FFS)	(2,266,270)	42,590,844	44,010,235
14. Home Health Services	97,622	327,432	115,023
15. Chiropractic Services	0	0	0
16. Radiology Services	34,646	106,696	53,202
17. Laboratory Services	5,937,947	17,482,048	9,642,464
18. Durable Medical Equipment Services	1,670,635	4,793,057	2,132,499
19. Transportation Services (Capitated)	1,100,012	3,133,735	1,035,501
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)			
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	1,607,147	5,287,914	2,545,219
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	239,642	751,987	355,881
Anesthesiology - FFS Hosp & Other	744,419	2,309,521	1,013,451
Gastroenterology	7,102	24,602	10,814
Preventive Medicine	883,663	2,328,349	1,138,917
Ped Emergency Medicine - FFS Hospital	0	0	0
Miscellaneous	241,047	241,047	138,184
IBNR	0	0	0
Risk Share	0	0	0
24. Subtotal (Lines 5 to 23)	47,501,044	206,446,475	129,561,327
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:			
26. Copayments	0	0	0
27. Subrogation	75,151	77,799	0
27a Recoveries	187,797	202,713	54,702
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	262,948	280,512	54,702
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	47,238,096	206,165,963	129,506,625

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Year to Date Total
Administration:			
31. Compensation (Including Allocated Costs)	0	0	0
32. Marketing (Including Allocated Costs)	0	0	0
33. Premium Tax Expense	2,362,934	3,656,253	1,819,579
34. Occupancy, Depreciation and Amortization (Including Allocated Costs)	0	0	0
35. Other Administration (Provide detail)			
Printing	0	0	0
Rent/Utilities	0	0	0
Franchise, Excise & Property Taxes	0	0	0
Postage	0	0	0
Legal Fees	0	0	0
Liquidated Damages	0	0	0
Outside Services	0	0	0
Board & Committee Fees	0	0	0
Auditing, actuarial and other consulting services	0	0	0
Books & Subscriptions	0	0	0
Dues, Fees & Licenses	0	0	0
Education & Seminars	0	0	0
Meals & Entertainment	0	0	0
Office Supplies	0	0	0
Minor Equipment	0	0	0
Travel	0	0	0
Wellness Program	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	0	0	0
Telephone/Beepers/Cellular Phones	0	0	0
Temp/Contract Personnel	0	0	0
Provision for Loss Contracts	0	0	0
Risk Banding Reserve	0	0	0
Program Run Out Expense	0	0	0
Miscellaneous Expense	0	0	0
Total DIRECT Expenses	2,362,934	3,656,253	1,819,579
Other ALLOCATED Expenses (Provide detail)			
Rent/Utilities	0	0	0
Printing	0	0	0
Postage	0	0	0
Legal Fees	0	0	0
Outside Services	0	0	0
Board & Committee Fees	0	0	0
Survey Fees	0	0	0
Telephone/Beepers/Cellular Phones	0	0	0
Books & Subscriptions	0	0	0
Minor Equipment	0	0	0
Computer Supplies	0	0	0
Dues, Fees & Licenses	0	0	0
Education & Seminars	0	0	0
Meals & Entertainment	0	0	0
Office Supplies	0	0	0
Travel	0	0	0
Miscellaneous Expense	0	0	0
Franchise, Excise & Property Taxes & Sales/Use Tax	0	0	0
Insurance	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	0	0	0
Relocation Expense Total	0	0	0
Training and Orientation Total	0	0	0
Temp/Contract Personnel	0	0	0
Covenant Management Fees	0	0	0
Total ALLOCATED Expenses	0	0	0
36. TOTAL ADMINISTRATION (Lines 31 to 36)	2,362,934	3,656,253	1,819,579
FIT & Excise Tax	0	0	0
37. Total Other Expenses:	0	0	0
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	49,601,030	209,822,216	131,326,204
39. NET INCOME (LOSS) (Line 4 less Line 38)	0	(0)	(0)

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	1,181,833	1,182,019	1,411,276
REVENUES:			
1. TennCare Capitation	55,535,160	183,006,438	200,936,995
2. Investment	846,067	2,846,677	4,665,925
3. Other Revenue	0	135	13,508
IBNR / Capitation Revenue Receivable	(7,059,107)	27,371,333	38,980,147
Premium Tax	1,123,139	(361,761)	1,367,090
4. TOTAL REVENUES (Lines 1 to 3)	50,445,259	212,862,822	245,963,665
EXPENSES:			
Medical and Hospital Services:			
5. Capitated Physician Services	420,621	1,324,346	3,440,610
6. Fee-For-Service Physician Services	4,318,739	16,113,184	16,266,424
7. Inpatient Hospital Services	29,138,769	96,953,866	84,751,549
8. Outpatient Services	848,695	3,338,958	5,212,840
9. Emergency Room Services	2,272,270	8,727,239	8,836,583
10. Mental Health Services	3,975	13,079	47,326
11. Dental Services (Capitated & FFS)	814	14,603	4,024,536
12. Vision Services (Capitated , FFS & Opthamology)	200,503	588,827	683,053
13. Pharmacy Services (Capitated & FFS)	(2,300,669)	41,329,568	57,530,209
14. Home Health Services	97,622	327,432	329,023
15. Chiropractic Services	0	0	0
16. Radiology Services	34,646	106,696	137,353
17. Laboratory Services	5,937,947	17,482,048	15,578,107
18. Durable Medical Equipment Services	1,670,635	4,793,057	5,401,062
19. Transportation Services (Capitated)	1,100,012	3,133,735	2,848,430
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)	0	0	0
Surgery - Orthopedic - FFS Office	0	0	54
MCO Delegated Services	0	0	28,013
Allergy & Immunology FFS Office & Other	1,607,147	5,287,914	6,719,922
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	239,642	751,987	918,771
Anesthesiology - FFS Hosp & Other	744,419	2,309,521	2,655,927
Gastroenterology	7,103	24,602	26,609
Preventive Medicine	883,663	2,328,349	2,753,221
Ped Emergency Medicine - FFS Hospital	0	0	0
Miscellaneous	241,047	241,047	138,184
IBNR	0	0	0
Risk Share	90,561	423,710	(3,389,592)
24. Subtotal (Lines 5 to 23)	206,503,592	205,613,768	214,938,214
25. Reinsurance Expenses Net of Recoveries	(158,945,431)	0	0
LESS:	0	0	0
26. Copayments	0	0	0
27. Subrogation	77,799	77,799	0
27a Recoveries	395,523	762,847	808,818
28. Coordination of Benefits	(14,916)	0	0
29. Subtotal (Lines 26 to 28)	475,970	840,646	808,818
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	47,082,190	204,773,122	214,129,396

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		
	Current Period	Year to Date Total	Year to Date Total
Administration:			
31. Compensation (Including Allocated Costs)	2,598,326	7,522,306	8,784,009
32. Marketing (Including Allocated Costs)	205	4,849	8,861
33. Premium Tax Expense	3,823,625	3,994,566	4,402,263
34. Occupancy, Depreciation and Amortization (Including Allocated Costs)	(1,064,900)	713,950	994,528
35. Other Administration (Provide detail)	0		
Printing	85,774	209,521	267,302
Rent/Utilities	0	0	0
Franchise, Excise & Property Taxes	0	0	0
Postage	37,167	126,605	160,112
Legal Fees	1,690	5,853	7,650
Liquidated Damages	303,180	903,280	804,000
Outside Services	121,327	246,577	4,752
Board & Committee Fees	0	0	0
Auditing, actuarial and other consulting services	0	0	0
Books & Subscriptions	48	1,326	3,393
Dues, Fees & Licenses	268	52,958	179,188
Education & Seminars	1,200	2,134	1,322
Meals & Entertainment	684	1,283	1,360
Office Supplies	359	1,163	3,851
Minor Equipment	0	22	1,733
Travel	2,350	5,729	3,099
Wellness Program	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	219	902	874
Telephone/Beepers/Cellular Phones	33	78	125
Temp/Contract Personnel	25,717	41,746	40,160
Provision for Loss Contracts	0	0	5,547,257
Risk Banding Reserve	0	0	1,789,491
Program Run Out Expense	0	0	0
State Admin	(5,091,923)	(13,185,186)	(7,688,143)
Miscellaneous Expense	(38,092)	125,168	10,236,342
Total DIRECT Expenses	807,257	774,830	25,553,529
Other ALLOCATED Expenses (Provide detail)			
Rent/Utilities	143,089	426,640	497,694
Printing	27,012	113,314	105,252
Postage	117,336	311,467	334,794
Legal Fees	109,271	326,615	241,322
Outside Services	236,603	1,017,388	1,263,964
Board & Committee Fees	75,329	142,798	139,036
Survey Fees	40,607	115,139	80,948
Telephone/Beepers/Cellular Phones	50,909	189,793	205,744
Books & Subscriptions	5,901	63,776	33,097
Minor Equipment	5,191	40,049	44,598
Computer Supplies	(68)	289	2,666
Dues, Fees & Licenses	97,107	275,858	215,385
Education & Seminars	8,427	51,361	54,289
Meals & Entertainment	6,120	20,091	32,430
Office Supplies	28,369	94,467	127,809
Travel	20,676	61,919	102,059
Miscellaneous Expense	44,236	96,504	36,039
Franchise, Excise & Property Taxes & Sales/Use Tax	53,184	161,317	130,721
Insurance	98,068	285,027	178,586
Leases & Rentals of equipment	42,104	108,711	145,941
Repairs/Maintenance Agreements	88,348	325,110	545,332
Relocation Expense Total	506	3,678	14,090
Training and Orientation Total	0	0	1,018
Temp/Contract Personnel	223,538	646,747	754,332
Covenant Management Fees	367,039	1,101,117	1,346,504
Total ALLOCATED Expenses	1,888,902	5,979,175	6,633,649
36. TOTAL ADMINISTRATION (Lines 31 to 36)	2,696,159	6,754,005	32,187,178
FIT & Excise Tax	0	0	0
37. Total Other Expenses:	0	0	0
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	49,778,349	211,527,127	246,316,574
39. NET INCOME (LOSS) (Line 4 less Line 38)	666,910	1,335,695	(352,909)

CASH FLOW

		1 Current Year To Date	2 Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance	2,713,815	114,089,856
2.	Net investment income	3,114,660	4,212,347
3.	Miscellaneous income	135	13,508
4.	Total (Lines 1 through 3)	5,828,610	118,315,711
5.	Benefit and loss related payments	82,194	108,783,164
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	3,796,865	15,721,336
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) \$..... net tax on capital gain (losses)		
10.	Total (Lines 5 through 9)	3,879,059	124,504,500
11.	Net cash from operations (Line 4 minus Line 10)	1,949,551	(6,188,789)
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	27,750,920	37,857,526
12.2	Stocks		
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains or (losses) on cash and short-term investments		
12.7	Miscellaneous proceeds		
12.8	Total investment proceeds (Lines 12.1 to 12.7)	27,750,920	37,857,526
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	21,705,389	31,837,982
13.2	Stocks		
13.3	Mortgage loans		
13.4	Real estate		
13.5	Other invested assets		
13.6	Miscellaneous applications		
13.7	Total investments acquired (Lines 13.1 to 13.6)	21,705,389	31,837,982
14.	Net increase (decrease) in policy loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 and 14)	6,045,531	6,019,544
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock	(9,133,336)	
16.3	Borrowed funds received		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)		
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(9,133,336)	
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
18.	Net change in cash and short-term investments (Lines 11 plus 15 plus 17)	(1,138,254)	(169,245)
19.	Cash and short-term investments:		
19.1	Beginning of year	3,776,349	3,945,594
19.2	End of period	2,638,095	3,776,349

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Stop Loss	11 Disability Income	12 Long-Term Care	13 Other
		2 Individual	3 Group										
Total Members at end of:													
1. Prior Year	131,280								131,280				
2. First Quarter	135,986								135,986				
3. Second Quarter	129,087								129,087				
4. Third Quarter	132,330								132,330				
5. Current Year													
6. Current Year Member Months	1,182,019								1,182,019				
Total Member Ambulatory Encounters for Period:													
7. Physician	695,721								695,721				
8. Non-Physician	337,466								337,466				
9. Total	1,033,187								1,033,187				
10. Hospital Patient Days Incurred	31,054								31,054				
11. Number of Inpatient Admissions	8,337								8,337				
12. Health Premiums Collected	3,730,494								3,730,494				
13. Life Premiums Direct													
14. Property/Casualty Premiums Written													
15. Health Premiums Earned	195,632								195,632				
16. Property/Casualty Premiums Earned													
17. Amount Paid for Provision of Health Care Services	82,194								82,194				
18. Amount Incurred for Provision of Health Care Services	(1,392,842)								(1,392,842)				

CLAIMS PAYABLE (Reported and Unreported)**Aging Analysis of Unpaid Claims**

1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 days	6 Over 120 Days	7 Total
Individually Listed Claims Payable						
PHPT Medical Claims					(79,731)	(79,731)
0199999 Individually Listed Claims Payable					(79,731)	(79,731)
0299999 Aggregate Accounts Not Individually Listed - Uncovered						
0399999 Aggregate Accounts Not Individually Listed - Covered						
0499999 Subtotals					(79,731)	(79,731)
0599999 Unreported claims and other claim reserves						1,721,472
0699999 Total Amounts Withheld						
0799999 Total Claims Payable						1,641,741
0899999 Accrued Medical Incentive Pool						

UNDERWRITING AND INVESTMENT EXHIBIT

ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

	Claims Paid Year to Date		Liability End of Current Quarter		5	6
	1	2	3	4	Claims Incurred in Prior Years (Columns 1+3)	Estimated Claim Reserve and Claim Liability Dec.31 of Prior Year
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid Dec.31 of Prior Year	On Claims Incurred During the Year		
Line of Business						
1. Comprehensive (hospital & medical)						
2. Medicare Supplement						
3. Dental only						
4. Vision only						
5. Federal Employees Health Benefits Plan Premiums ..						
6. Title XVIII - Medicare						
7. Title XIX - Medicaid	82,194		1,641,741		1,723,935	3,116,777
8. Other health						
9. Health subtotal (Lines 1 to 8)	82,194		1,641,741		1,723,935	3,116,777
10. Other non-health						
11. Medical incentive pools, accruals and disbursements ..						
12. TOTALS	82,194		1,641,741		1,723,935	3,116,777

Notes to Financial Statement

No significant changes or events have occurred since the most recent annual statement was filed.

17c) WASH SALES
Not applicable

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted)

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Did the reporting entity implement any significant accounting policy changes which would require disclosure in the Notes to the Financial Statements? Yes[] No[X]
- 1.2 If yes, explain:
- 2.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes[] No[X]
- 2.2 If yes, has the report been filed with the domiciliary state? Yes[] No[] N/A[X]
- 3.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes[] No[X]
- 3.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 4. Have there been any substantial changes in the organizational chart since the prior quarter end?
If yes attach an explanation. Yes[] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes[] No[X]
- 5.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....

- 6. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?
If yes, attach an explanation. Yes[] No[] N/A[X]
- 7.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/12/2002
- 7.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2000
- 7.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 12/12/2002
- 7.4 By what department or departments?
Tennessee Department of Commerce & Insurance - TennCare Division
- 8.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) Yes[] No[X]
- 8.2 If yes, give full information
- 9.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes[] No[X]
- 9.2 If response to 9.1 is yes, please identify the name of the bank holding company.
- 9.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes[] No[X]
- 9.4 If response to 9.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
.....	Yes[] No[X]				

GENERAL INTERROGATORIES (continued)

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted.)

INVESTMENT

- 10.1 Has there been any changes in the reporting entity's own preferred or common stock? Yes[] No[X]
 10.2 If yes, explain:
- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes[] No[X]
 11.2 If yes, give full and complete information relating thereto:
12. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$
13. Amount of real estate and mortgages held in short-term investments: \$
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes[] No[X]
 14.2 If yes, please complete the following:

	1 Prior Year-End Statement Value	2 Current Quarter Statement Value
14.21 Bonds		
14.22 Preferred Stock		
14.23 Common Stock		
14.24 Short-Term Investments		
14.25 Mortgages, Loans or Real Estate		
14.26 All Other		
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)		
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above		
14.29 Receivable from Parent not included in Lines 14.21 to 14.26 above		

- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes[] No[X]
 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes[] No[] N/A[X]
 If no, attach a description with this statement.
16. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV, H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes[X] No[]
- 16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
The Northern Trust Company	50 LaSalle Street, Chicago, IL 60675
First Tennessee Bank	800 S Gay Street 4th Floor, Knoxville, TN 37929

- 16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....

- 16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? Yes[] No[X]
 16.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....

- 16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address
108718	Martin & Company	2 Centre Square, 625 S Gay St, Knoxville, TN 37902

SCHEDULE A - VERIFICATION

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Increase (decrease) by adjustment		
3. Cost of acquired		
4. Cost of additions to and permanent improvements		
5. Total profit (loss) on sales		
6. Increase (decrease) by foreign exchange adjustment		
7. Amount received on sales		
8. Book/adjusted carrying value at end of current period		
9. Total valuation allowance		
10. Subtotal (Lines 8 plus 9)		
11. Total nonadmitted amounts		
12. Statement value, current period (Page 2, real estate lines, current period)		

NONE**SCHEDULE B - VERIFICATION**

	1	2
	Year To Date	Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year		
2. Amount loaned during period:		
2.1 Actual cost at time of acquisitions		
2.2 Additional investment made after acquisitions		
3. Accrual of discount and mortgage interest points and commitment fees		
4. Increase (decrease) by adjustment		
5. Total profit (loss) on sale		
6. Amounts paid on account or in full during the period		
7. Amortization of premium		
8. Increase (decrease) by foreign exchange adjustment		
9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period		
10. Total valuation allowance		
11. Subtotal (Lines 9 plus 10)		
12. Total nonadmitted amounts		
13. Statement value of mortgages owned at end of current period		

NONE**SCHEDULE BA - VERIFICATION****Other Invested Assets Included in Schedule BA**

Description	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year		
2. Cost of acquisitions during period:		
2.1 Actual cost at time of acquisitions		
2.2 Additional investment made after acquisitions		
3. Accrual of discount		
4. Increase (decrease) by adjustment		
5. Total profit (loss) on sale		
6. Amounts paid on account or in full during the period		
7. Amortization of premium		
8. Increase (decrease) by foreign exchange adjustment		
9. Book/adjusted carrying value of long-term invested assets at end of current period		
10. Total valuation allowance		
11. Subtotal (Lines 9 plus 10)		
12. Total nonadmitted amounts		
13. Statement value of long-term invested assets at end of current period		

NONE**SCHEDULE D - VERIFICATION**

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	70,496,838	75,918,919
2. Cost of bonds and stocks acquired	21,705,389	31,837,982
3. Accrual of discount	32,994	
4. Increase (decrease) by adjustment		(312,924)
5. Increase (decrease) by foreign exchange adjustment		
6. Total profit (loss) on disposal	505,294	910,387
7. Consideration for bonds and stocks disposed of	27,750,920	37,857,526
8. Amortization of premium	363,779	
9. Book/adjusted carrying value, current period	64,625,816	70,496,838
10. Total valuation allowance		
11. Subtotal (Lines 9 plus 10)	64,625,816	70,496,838
12. Total nonadmitted amounts		
13. Statement value (Lines 11 minus 12)	64,625,816	70,496,838

SCHEDULE D - PART 1B
Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1	61,630,704	6,098,455	7,640,671	(36,972)	62,326,567	61,630,704	60,051,517	66,915,917
2. Class 2	4,576,500			(2,211)	3,578,710	4,576,500	4,574,289	3,580,921
3. Class 3								
4. Class 4								
5. Class 5								
6. Class 6								
7. TOTAL Bonds	66,207,204	6,098,455	7,640,671	(39,183)	65,905,277	66,207,204	64,625,806	70,496,838
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. TOTAL Preferred Stock								
15. TOTAL Bonds & Preferred Stock	66,207,204	6,098,455	7,640,671	(39,183)	65,905,277	66,207,204	64,625,806	70,496,838

15 Schedule DA Part 1 - NONE

15 Schedule DA Part 2 Verification - NONE

16 Schedule DB Part F Section 1 - NONE

17 Schedule DB Part F Section 2 - NONE

18 Schedule S Ceded Reinsurance - NONE

SCHEDULE F - PREMIUMS RECEIVABLE (Other than Affiliates)

Individually list all debtors with account balances the greater of 10% of gross Premiums Receivable or \$5,000.

Name of Debtor	1 1-30 Days	2 31-60 Days	3 61-90 Days	4 Over 90 Days	5 Nonadmitted	6 Admitted
INDIVIDUALLY LIST RECEIVABLES						
State of Tennessee - Withhold		(1,016,679)				(1,016,679)
Subtotal - Individually Listed Receivables 0199999	0	0	0	0	0	0
Subtotal - Receivables not Individually Listed 0299999						0
Subtotal - Gross Premiums Receivable 0399999						0
Less Allowance for Doubtful Accounts 0499999						0
Total Premiums Receivable (Page 2, Line 2) 0599999	0	0	0	0	0	0

SCHEDULE G - 2 AMOUNTS DUE FROM AFFILIATES

Name of Debtor	1 1-30 Days	2 31-60 Days	3 61-90 Days	4 Over 90 Days	5 Nonadmitted	Admitted	
						6 Current	7 Non-Current
PHP Companies Preferred Health Partnership Inc. Cariten Insurance Company Cariten Health Plan, Inc.		0		78,816	0 78,816		
0199999 - Gross Amounts Due from Affiliates	0	0	0	78,816	78,816		
0299999 - Less Allowance for Doubtful Accounts							
0399999 - Amounts Due from Affiliates (Page 2, Line 5)					78,816		

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

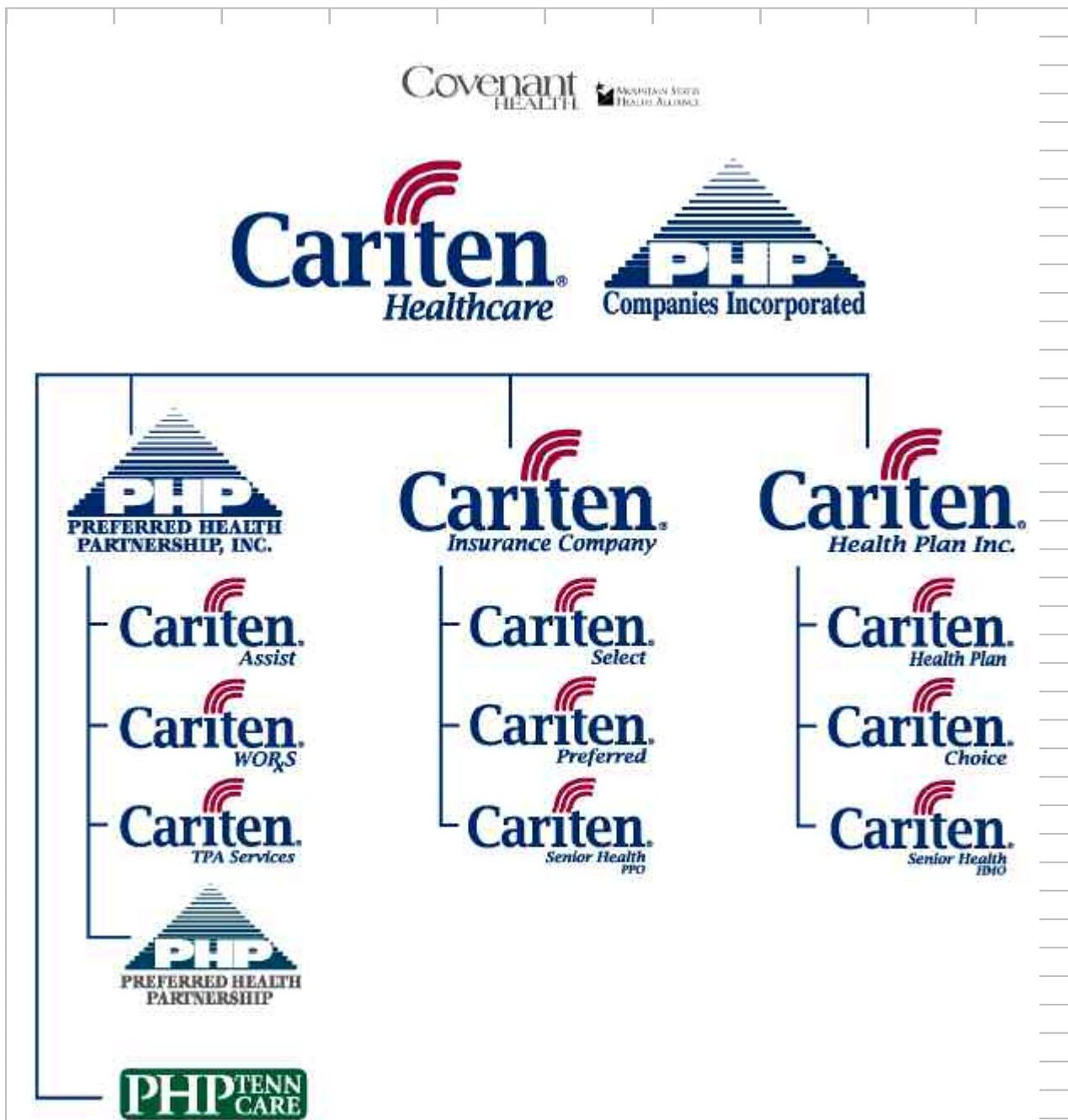
1.	State, Etc.	1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed (Yes or No)	Direct Business Only Year-to-Date				
				3 Accident and Health Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums	7 Life and Annuity Premiums and Deposit-Type Contract Funds	8 Property/Casualty Premiums
2.	Alabama (AL)	No	No					
3.	Alaska (AK)	No	No					
4.	Arizona (AZ)	No	No					
5.	Arkansas (AR)	No	No					
6.	California (CA)	No	No					
7.	Colorado (CO)	No	No					
8.	Connecticut (CT)	No	No					
9.	Delaware (DE)	No	No					
10.	District of Columbia (DC)	No	No					
11.	Florida (FL)	No	No					
12.	Georgia (GA)	No	No					
13.	Hawaii (HI)	No	No					
14.	Idaho (ID)	No	No					
15.	Illinois (IL)	No	No					
16.	Indiana (IN)	No	No					
17.	Iowa (IA)	No	No					
18.	Kansas (KS)	No	No					
19.	Kentucky (KY)	No	No					
20.	Louisiana (LA)	No	No					
21.	Maine (ME)	No	No					
22.	Maryland (MD)	No	No					
23.	Massachusetts (MA)	No	No					
24.	Michigan (MI)	No	No					
25.	Minnesota (MN)	No	No					
26.	Mississippi (MS)	No	No					
27.	Missouri (MO)	No	No					
28.	Montana (MT)	No	No					
29.	Nebraska (NE)	No	No					
30.	Nevada (NV)	No	No					
31.	New Hampshire (NH)	No	No					
32.	New Jersey (NJ)	No	No					
33.	New Mexico (NM)	No	No					
34.	New York (NY)	No	No					
35.	North Carolina (NC)	No	No					
36.	North Dakota (ND)	No	No					
37.	Ohio (OH)	No	No					
38.	Oklahoma (OK)	No	No					
39.	Oregon (OR)	No	No					
40.	Pennsylvania (PA)	No	No					
41.	Rhode Island (RI)	No	No					
42.	South Carolina (SC)	No	No					
43.	South Dakota (SD)	No	No					
44.	Tennessee (TN)	No	Yes			195,632		
45.	Texas (TX)	No	No					
46.	Utah (UT)	No	No					
47.	Vermont (VT)	No	No					
48.	Virginia (VA)	No	No					
49.	Washington (WA)	No	No					
50.	West Virginia (WV)	No	No					
51.	Wisconsin (WI)	No	No					
52.	Wyoming (WY)	No	No					
53.	American Samoa (AS)	No	No					
54.	Guam (GU)	No	No					
55.	Puerto Rico (PR)	No	No					
56.	U.S. Virgin Islands (VI)	No	No					
57.	Canada (CN)	No	No					
58.	Aggregate other alien (OT)	X X X	X X X					
59.	TOTAL (Direct Business)	X X X	(a) 1			195,632		
DETAILS OF WRITE-INS								
5701		X X X	X X X					
5702		X X X	X X X					
5703		X X X	X X X					
5798	Summary of remaining write-ins for Line 57 from overflow page	X X X	X X X					
5799	TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above)	X X X	X X X					

(a) Insert the number of yes responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

All insurer members of a Holding Company Group that has acquired and/or disposed of any domestic insurer (s) since filing the last annual or quarterly statement shall prepare a common schedule for inclusion in each of the individual quarterly statements

PART 1 - ORGANIZATIONAL CHART



SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

RESPONSES

Yes

1. Will the SVO Compliance Certification be filed with this statement?

Explanation:

Bar Code:

OVERFLOW PAGE FOR WRITE-INS**LIABILITIES, CAPITAL AND SURPLUS**

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
2104.
2197. Summary of remaining write-ins for Line 21 (Line 2104 through 2196)

E01 Schedule A Part 2 - NONE

E01 Schedule A Part 3 - NONE

E02 Schedule B Part 1 - NONE

E02 Schedule B Part 2 - NONE

E03 Schedule BA Part 1 - NONE

E03 Schedule BA Part 2 - NONE

SCHEDULE D - PART 3

Showing All Long-Term Bonds and Stocks ACQUIRED During Current Quarter

1 CUSIP Identification	2 Description	3 Date Acquired	4 Name of Vendor	5 Number of Shares of Stock	6 Actual Cost	7 Par Value	8 Paid for Accrued Interest and Dividends	9 NAIC Designation (a)
Bonds - U.S. Governments								
912828AU4	US TREAS NT	07/17/2003	NORTHERN TRUST	X X X	993,359	1,000,000	16,699	1
912828AU4	US TREAS NT	07/30/2003	NORTHERN TRUST	X X X	2,791,250	2,900,000	51,531	1
912828AN0	US TREAS NT	07/31/2003	NORTHERN TRUST	X X X	101,226	100,000 .....	.....	1
665278107	NORTHERN TRUST MONEY MARKET	09/01/2003	NORTHERN TRUST	X X X	1,164,590	1,164,590 .....	.....	1Z
0399999 Subtotal - Bonds - U.S. Governments					5,050,425	5,164,590	68,230 .....	.....
Bonds - Industrial and Miscellaneous								
097014AH7	BOEING CAP CORP	07/17/2003	NNORTHERN TRUST	X X X	1,048,030	1,000,000	1,128	1
4599999 Subtotal - Bonds - Industrial and Miscellaneous					1,048,030	1,000,000	1,128 .....	.....
6099997 Subtotal - Bonds - Part 3					6,098,455	6,164,590	69,358 .....	.....
6099998 Summary Item for Bonds Bought and Sold This Quarter .....					.....	.....	.....	.....
6099999 Subtotal - Bonds					6,098,455	6,164,590	69,358 .....	.....
6599998 Summary Item for Preferred Stock Bought and Sold This Quarter .....					.....	.....	.....	.....
7099998 Summary Item for Common Stock Bought and Sold This Quarter .....					.....	X X X .....	.....	.....
7199999 Subtotal - Preferred and Common Stock .....					.....	X X X .....	.....	.....
7299999 Total - Bonds, Preferred and Common Stock					6,098,455	X X X	69,358 .....	.....

(a) For all common stock bearing the NAIC designation "U" provide: the number of such issues

SCHEDULE D - PART 4

Showing All Long-Term Bonds and Stocks Sold, Redeemed, or Otherwise Disposed of by the Company During the Current Quarter

1 CUSIP Identification	2 Description	3 Disposal Date	4 Name of Purchaser	5 Number of Shares of Stock	6 Consideration	7 Par Value	8 Actual Cost	9 Book/Adjusted Carrying Value at Disposal Date	10 Increase (Decrease) by Adjustment	11 Increase (Decrease) by Foreign Exchange Adjustment	12 Foreign Exchange Gain (Loss) on Disposal	13 Realized Gain (Loss) on Disposal	14 Total Gain (Loss) On Disposal	15 Interest on Bonds Received During Year	16 Dividends on Stocks Received During Year	17 NAIC Desig- nation (a)
Bonds - U.S. Governments																
31339BM25	FHLB MTN	07/17/2003	NORTHERN TRUST	X X X	2,076,460	2,000,000	2,032,500	2,002,477	1,857			73,983	73,983	42,940	X X X	1PE
31359MNY5	FNMA	07/30/2003	NORTHERN TRUST	X X X	2,571,902	2,570,000	2,568,098	2,568,679	(317)			3,222	3,222	37,033	X X X	1PE
3133MKEC7	FHLB	09/11/2003	NORTHERN TRUST	X X X	2,992,309	3,000,000	2,942,420	2,992,309	(4,395)					36,094	X X X	1PE
0399999 Subtotal - Bonds - U.S. Governments					7,640,671	7,570,000	7,543,018	7,563,465	(2,855)			77,206	77,206	116,067	X X X	X X X
6099997 Subtotal - Bonds - Part 4					7,640,671	7,570,000	7,543,018	7,563,465	(2,855)			77,206	77,206	116,067	X X X	X X X
6099998 Summary Item for Bonds Bought and Sold This Quarter															X X X	X X X
6099999 Subtotal - Bonds					7,640,671	7,570,000	7,543,018	7,563,465	(2,855)			77,206	77,206	116,067	X X X	X X X
6599998 Summary Item for Preferred Stock Bought and Sold This Quarter														X X X		X X X
7099998 Summary Item for Common Stock Bought and Sold This Quarter														X X X		X X X
7199999 Subtotal - Preferred and Common Stock														X X X		X X X
7299999 Total - Bonds, Preferred and Common Stock					7,640,671	X X X	7,543,018	7,563,465	(2,855)			77,206	77,206	116,067		X X X

(a) For all common stock bearing the NAIC designation "U" provide: the number of such issues

E06 Schedule DB Part A Section 1 - NONE

E06 Schedule DB Part B Section 1 - NONE

E07 Schedule DB Part C Section 1 - NONE

E07 Schedule DB Part D Section 1 - NONE

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1			2	3	4	Book Balance at End of Each Month During Current Quarter			8
Depository			Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	5	6	7	*
						First Month	Second Month	Third Month	
open depositories									
Cash on Deposit	First Tennessee Bank .....	.....		4,788		2,232,302	2,514,225	2,638,096	
0199998 Deposits in depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories			X X X						
0199999 Totals - Open Depositories			X X X	4,788		2,232,302	2,514,225	2,638,096	
0299998 Deposits in depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories			X X X						
0299999 Totals - Suspended Depositories			X X X						
0399999 Total Cash On Deposit			X X X	4,788		2,232,302	2,514,225	2,638,096	
0499999 Cash in Company's Office			X X X	X X X	X X X				
0599999 Total Cash			X X X	4,788		2,232,302	2,514,225	2,638,096	



SVO Compliance Certification

"The undersigned is an officer of the insurer responsible for reporting investments to the SVO and/or with performing all filings with appropriate state regulatory officials and the NAIC and is therefore required to be familiar with the requirements of such filings. The undersigned officer certifies that, to the best of his or her knowledge, information, and belief, all prices or NAIC designations for the securities reported in this statement have been obtained directly from the SVO except as specifically identified below. The officer further certifies that, to the best of his or her knowledge, information, and belief, since the last filing of a quarterly or annual statement:

1. All securities previously valued by the insurer and identified by a Z suffix have now been submitted to the SVO for a valuation or disposed of by sale or otherwise with the result that all prices and NAIC Designations reported in this statement have been provided by the SVO, except for new purchases identified in Schedule D and DA with a Z suffix or items submitted but not yet processed by the SVO.
2. Any newly purchased securities now identified with a Z suffix shall be submitted to the SVO within 120 days of purchase.
3. All necessary information on securities which have been previously designated NR (not rated due to lack of current information) by the SVO have either been submitted to the SVO by the insurer for a valuation or disposed of by the insurer.
4. All material issuer events (as defined below) have been reported to the SVO."

A material issuer event is a generic or transaction specific credit event of which the insurer is currently aware, which by its nature would signify to a reasonably prudent insurer that a material change in the credit quality or price of the investment or security has occurred.

As an illustration, and not by way of limitation, the following shall be deemed to constitute material issuer events:

- a. Recapitalizations or capital restructuring whether within or without Chapter 11 of the US Bankruptcy Code;
- b. Nonpayment, deferral, or payment in kind through waiver of any principal or contractual interest payment;
- c. Any change in the maturity of a security;
- d. Changes in the lender's collateral position, including releases of collateral, or the taking of a collateral position whether by operation of negative pledge covenant or otherwise;
- e. Events of a like character or of a like effect, which would be considered material to an investment professional.
- f. Exceptions_____

Lance K. Hunsinger
Name of Investment Officer

Signature of Investment Officer

President & CFO
Title of Signatory

11-24-03_____
Date

ACT **Actuarial Statement -** **NONE**

AEP **Amended Explanation -** **NONE**

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**QUARTERLY DISKETTE TRANSMITTAL FORM AND CERTIFICATION
(HEALTH)**

Name of Insurer Preferred Health Partnership of Tennessee, Inc.

Date _____ FEIN 62-1546662
 NAIC Group # 1253 NAIC Company # 95749

THIS FORM IS REQUIRED FOR ALL DISKETTE TRANSMITTALS, PLEASE PROVIDE ANY ADDITIONAL COMMENTS THAT MAY
 HELP TO IDENTIFY DISKETTE CONTENT

	First Quarter	Second Quarter	Third Quarter
A01. Is this the first time you've submitted this filing? (Y/N)	N/A	N/A	N/A
A02. Is this being re-filed at the request of the NAIC or a state insurance department? (Y/N)	N/A	N/A	N/A
A03. Is this being re-filed due to changes to the data originally filed? (Y/N)	N/A	N/A	N/A
(IF "YES" ENCLOSE HARD COPY PAGES FOR EACH CHANGE.)			
A04. Other? (Y/N)	N/A	N/A	N/A
(If "yes" attach an explanation.)			

B. Additional comments if necessary for clarification:

C. Diskette Contact Person:

Phone:

Address:

D. Software Vendor:

Version:

E. Have material validation failures been addressed in the explanation file? Yes[] No[X]

F. The undersigned hereby certifies, according to the best of his/her knowledge and belief: that the diskettes submitted with this form were prepared in compliance with the NAIC specifications, that the diskettes have been tested against the validations included with these specifications, and that quarterly statement information required to be contained on diskette is identical to the information in the 2003 Quarterly Statement blank filed with the insurer's domiciliary state insurance department. In addition, the diskettes have been scanned through a virus detection software package, and no viruses are present on the diskettes. The virus detection software used was (name):

(version number):

(Signed) _____

Type Name and Title:

STATEMENT AS OF SEPTEMBER 30, 2003 of the PREFERRED HEALTH PARTNERSHIP OF TENNESSEE, INC.

SCHEDULE G-1 - HEALTH CARE RECEIVABLES (Other than Affiliates)

NONE

NAIC Company Code 95749
NAIC Group Code 1253

Reporting Entity Name Preferred Health Partnership of Tennessee, Inc.
Domiciled in Tennessee (State)
Mailing Address: 1420 Centerpoint Blvd., Knoxville, TN 37932
Annual Statement Contact: Melissa R Anderson (865)670-7282 manders1@covhlth.com
(Name) Telephone No. E-mail Address

In the Matter of the Quarterly Statement
(Annual/Quarterly)

Filing Required for the Period Ending on the
30th day of September, 2003

Mailing Date: 12/01/2003

} **AFFIDAVIT OF FILING
AND FINANCIAL
STATEMENT ATTESTATION**

The officers of the above identified reporting entity, being duly sworn, each depose and say that on the mailing date above, a true and correct statement for the reporting period stated above and that the corresponding true and correct electronic file reflecting the statement for the above named reporting entity, has been sent to the National Association of Insurance Commissioners, according to their instructions. The statement and the corresponding electronic file are an exact and complete duplicate of the statement filed with the reporting entity's domestic state, except as to schedules, exhibits and information required to be submitted only to the reporting entity's domestic state.

Additionally, the officers of the above identified reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that for the reporting period stated above, all of the described assets in the above referenced statement were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as therein stated, and that the statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended on that date, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual, except to the extent that (1) state law may differ; or (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature)
Lance K. Hunsinger
(Printed Name)
President

(Signature)
Lance K. Hunsinger
(Printed Name)
Chief Financial Officer

(Signature)
Jeffery S. Collake
(Printed Name)
Secretary

(Signature)

(Printed Name)
Debra Kay Stair

Subscribed and sworn to before me this

_____ day of _____, 2003

(Notary Signature)
My Commission Expires: